

CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2673

Chapter 181, Laws of 2006

(partial veto)

59th Legislature
2006 Regular Session

LOCAL INFRASTRUCTURE FINANCING TOOL PROGRAM

EFFECTIVE DATE: 7/1/06

Passed by the House March 8, 2006
Yeas 92 Nays 6

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 7, 2006
Yeas 41 Nays 4

BRAD OWEN

President of the Senate

Approved March 23, 2006, with the
exception of section 702, which is
vetoed.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk
of the House of Representatives of
the State of Washington, do hereby
certify that the attached is
**ENGROSSED SECOND SUBSTITUTE HOUSE
BILL 2673** as passed by the House
of Representatives and the Senate
on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

March 23, 2006 - 12:56 p.m.

**Secretary of State
State of Washington**

1 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
2 section apply throughout this chapter unless the context clearly
3 requires otherwise.

4 (1) "Annual state contribution limit" means five million dollars
5 statewide per fiscal year.

6 (2) "Assessed value" means the valuation of taxable real property
7 as placed on the last completed assessment roll.

8 (3) "Base year" means the first calendar year following the
9 creation of a revenue development area. For a local government that
10 meets the requirements of section 202(2) of this act, "base year" is
11 the calendar year after it amends its ordinance as provided in section
12 202(2) of this act.

13 (4) "Board" means the community economic revitalization board under
14 chapter 43.160 RCW.

15 (5) "Demonstration project" means one of the following projects:

16 (a) Bellingham waterfront redevelopment project;

17 (b) Spokane river district project at Liberty Lake; and

18 (c) Vancouver riverwest project.

19 (6) "Department" means the department of revenue.

20 (7) "Fiscal year" means the twelve-month period beginning July 1st
21 and ending the following June 30th.

22 (8) "Local excise taxes" means local revenues derived from the
23 imposition of sales and use taxes authorized in RCW 82.14.030 at the
24 tax rate that was in effect at the time the revenue development area
25 was created, except that if a local government reduces the rate of such
26 tax after the revenue development area was created, "local excise
27 taxes" means the local revenues derived from the imposition of the
28 sales and use taxes authorized in RCW 82.14.030 at the lower tax rate.

29 (9) "Local excise tax allocation revenue" means the amount of local
30 excise taxes received by the local government during the measurement
31 year from taxable activity within the revenue development area over and
32 above the amount of local excise taxes received by the local government
33 during the base year from taxable activity within the revenue
34 development area, except that:

35 (a) If a sponsoring local government creates a revenue development
36 area and reasonably determines that no activity subject to tax under
37 chapters 82.08 and 82.12 RCW occurred in the twelve months immediately
38 preceding the creation of the revenue development area within the

1 boundaries of the area that became the revenue development area, "local
2 excise tax allocation revenue" means the entire amount of local excise
3 taxes received by the sponsoring local government during a calendar
4 year period beginning with the calendar year immediately following the
5 creation of the revenue development area and continuing with each
6 measurement year thereafter; and

7 (b) For revenue development areas created in calendar year 2006
8 that do not meet the requirements in (a) of this subsection and if
9 legislation is enacted in this state by July 1, 2006, that adopts the
10 sourcing provisions of the streamlined sales and use tax agreement,
11 "local excise tax allocation revenue" means the amount of local excise
12 taxes received by the sponsoring local government during the
13 measurement year from taxable activity within the revenue development
14 area over and above an amount of local excise taxes received by the
15 sponsoring local government during the 2007 base year adjusted by the
16 department for any estimated impacts from retail sales and use tax
17 sourcing changes effective July 1, 2007. The amount of base year
18 adjustment determined by the department is final.

19 (10) "Local government" means any city, town, county, port
20 district, and any federally recognized Indian tribe.

21 (11) "Local infrastructure financing" means the use of revenues
22 received from local excise tax allocation revenues, local property tax
23 allocation revenues, dedicated revenues from local public sources, and
24 revenues received from the local option sales and use tax authorized in
25 section 401 of this act to pay the principal and interest on bonds
26 authorized under section 501 of this act.

27 (12) "Local property tax allocation revenue" means those tax
28 revenues derived from the receipt of regular property taxes levied on
29 the property tax allocation revenue value and used for local
30 infrastructure financing.

31 (13) "Revenues from local public sources" means federal and private
32 monetary contributions, amounts of local excise tax allocation
33 revenues, and amounts of local property tax allocation revenues
34 dedicated by participating taxing districts and participating local
35 governments for local infrastructure financing.

36 (14) "Low-income housing" means residential housing for low-income
37 persons or families who lack the means which is necessary to enable
38 them, without financial assistance, to live in decent, safe, and

1 sanitary dwellings, without overcrowding. For the purposes of this
2 subsection, "low income" means income that does not exceed eighty
3 percent of the median family income for the standard metropolitan
4 statistical area in which the revenue development area is located.

5 (15) "Measurement year" means a calendar year, beginning with the
6 calendar year following the base year and each calendar year
7 thereafter, that is used annually to measure state and local excise tax
8 allocation revenues.

9 (16) "Ordinance" means any appropriate method of taking legislative
10 action by a local government.

11 (17) "Participating local government" means a local government
12 having a revenue development area within its geographic boundaries that
13 has entered into a written agreement with a sponsoring local government
14 as provided in section 206 of this act to allow the use of all or some
15 of its local excise tax allocation revenues or other revenues from
16 local public sources dedicated for local infrastructure financing.

17 (18) "Participating taxing district" means a local government
18 having a revenue development area within its geographic boundaries that
19 has entered into a written agreement with a sponsoring local government
20 as provided in section 206 of this act to allow the use of some or all
21 of its local property tax allocation revenues or other revenues from
22 local public sources dedicated for local infrastructure financing.

23 (19)(a) "Property tax allocation revenue value" means seventy-five
24 percent of any increase in the assessed value of real property in a
25 revenue development area resulting from the placement of new
26 construction, improvements, or both to property on the assessment rolls
27 after the revenue development area is created, where the new
28 construction or improvements occur entirely after the revenue
29 development area is created.

30 (b) If any new construction added to the assessment rolls consists
31 of entire buildings, "property tax allocation revenue value" includes
32 seventy-five percent of any increase in the assessed value of the
33 buildings in the years following their initial placement on the
34 assessment rolls.

35 (c) "Property tax allocation revenue value" does not include any
36 increase in the assessed value of improvements to property or new
37 construction that do not consist of an entire building, occurring after
38 their initial placement on the assessment rolls.

1 (d) There is no property tax allocation revenue value if the
2 assessed value of real property in a revenue development area has not
3 increased due to new construction or improvements to property occurring
4 after the revenue development area is created.

5 (20) "Taxing district" means a government entity that levies or has
6 levied for it regular property taxes upon real property located within
7 a proposed or approved revenue development area.

8 (21) "Public improvements" means:

9 (a) Infrastructure improvements within the revenue development area
10 that include:

11 (i) Street, bridge, and road construction and maintenance,
12 including highway interchange construction;

13 (ii) Water and sewer system construction and improvements,
14 including wastewater reuse facilities;

15 (iii) Sidewalks, traffic controls, and streetlights;

16 (iv) Parking, terminal, and dock facilities;

17 (v) Park and ride facilities of a transit authority;

18 (vi) Park facilities and recreational areas, including trails; and

19 (vii) Storm water and drainage management systems;

20 (b) Expenditures for facilities and improvements that support
21 affordable housing as defined in RCW 43.63A.510.

22 (22) "Public improvement costs" means the cost of: (a) Design,
23 planning, acquisition including land acquisition, site preparation
24 including land clearing, construction, reconstruction, rehabilitation,
25 improvement, and installation of public improvements; (b) demolishing,
26 relocating, maintaining, and operating property pending construction of
27 public improvements; (c) the local government's portion of relocating
28 utilities as a result of public improvements; (d) financing public
29 improvements, including interest during construction, legal and other
30 professional services, taxes, insurance, principal and interest costs
31 on general indebtedness issued to finance public improvements, and any
32 necessary reserves for general indebtedness; (e) assessments incurred
33 in revaluing real property for the purpose of determining the property
34 tax allocation revenue base value that are in excess of costs incurred
35 by the assessor in accordance with the revaluation plan under chapter
36 84.41 RCW, and the costs of apportioning the taxes and complying with
37 this chapter and other applicable law; and (f) administrative expenses
38 and feasibility studies reasonably necessary and related to these

1 costs, including related costs that may have been incurred before
2 adoption of the ordinance authorizing the public improvements and the
3 use of local infrastructure financing to fund the costs of the public
4 improvements.

5 (23) "Regular property taxes" means regular property taxes as
6 defined in RCW 84.04.140, except: (a) Regular property taxes levied by
7 public utility districts specifically for the purpose of making
8 required payments of principal and interest on general indebtedness;
9 (b) regular property taxes levied by the state for the support of the
10 common schools under RCW 84.52.065; and (c) regular property taxes
11 authorized by RCW 84.55.050 that are limited to a specific purpose.
12 "Regular property taxes" do not include excess property tax levies that
13 are exempt from the aggregate limits for junior and senior taxing
14 districts as provided in RCW 84.52.043.

15 (24) "Property tax allocation revenue base value" means the
16 assessed value of real property located within a revenue development
17 area for taxes levied in the year in which the revenue development area
18 is created for collection in the following year, plus one hundred
19 percent of any increase in the assessed value of real property located
20 within a revenue development area that is placed on the assessment
21 rolls after the revenue development area is created, less the property
22 tax allocation revenue value.

23 (25) "Relocating a business" means the closing of a business and
24 the reopening of that business, or the opening of a new business that
25 engages in the same activities as the previous business, in a different
26 location within a one-year period, when an individual or entity has an
27 ownership interest in the business at the time of closure and at the
28 time of opening or reopening. "Relocating a business" does not include
29 the closing and reopening of a business in a new location where the
30 business has been acquired and is under entirely new ownership at the
31 new location, or the closing and reopening of a business in a new
32 location as a result of the exercise of the power of eminent domain.

33 (26) "Revenue development area" means the geographic area created
34 by a sponsoring local government from which local excise and property
35 tax allocation revenues are derived for local infrastructure financing.

36 (27) "Small business" has the same meaning as provided in RCW
37 19.85.020.

1 (28) "Sponsoring local government" means a city, town, or county,
2 and for the purpose of this chapter a federally recognized Indian tribe
3 or any combination thereof, that creates a revenue development area and
4 applies to the board to use local infrastructure financing.

5 (29) "State contribution" means the lesser of:

6 (a) One million dollars;

7 (b) The state excise tax allocation revenue and state property tax
8 allocation revenue received by the state during the preceding calendar
9 year;

10 (c) The amount of local excise tax allocation revenues, local
11 property tax allocation revenues, and revenues from local public
12 sources, that are dedicated by a sponsoring local government in the
13 preceding calendar year to the payment of principal and interest on
14 bonds issued under section 501 of this act; or

15 (d) The amount of project award granted by the board in the notice
16 of approval to use local infrastructure financing under section 202 of
17 this act.

18 (30) "State excise taxes" means revenues derived from state retail
19 sales and use taxes under chapters 82.08 and 82.12 RCW, less the amount
20 of tax distributions from all local retail sales and use taxes imposed
21 on the same taxable events that are credited against the state retail
22 sales and use taxes under chapters 82.08 and 82.12 RCW.

23 (31) "State excise tax allocation revenue" means the amount of
24 state excise taxes received by the state during the measurement year
25 from taxable activity within the revenue development area over and
26 above the amount of state excise taxes received by the state during the
27 base year from taxable activity within the revenue development area,
28 except that:

29 (a) If a sponsoring local government creates a revenue development
30 area and reasonably determines that no activity subject to tax under
31 chapters 82.08 and 82.12 RCW occurred in the twelve months immediately
32 preceding the creation of the revenue development area within the
33 boundaries of the area that became the revenue development area, "state
34 excise tax allocation revenue" means the entire amount of state excise
35 taxes received by the state during a calendar year period beginning
36 with the calendar year immediately following the creation of the
37 revenue development area and continuing with each measurement year
38 thereafter; and

1 (b) For revenue development areas created in calendar year 2006
2 that do not meet the requirements in (a) of this subsection and if
3 legislation is enacted in this state by July 1, 2006, that adopts the
4 sourcing provisions of the streamlined sales and use tax agreement,
5 "state excise tax allocation revenue" means the amount of state excise
6 taxes received by the state during the measurement year from taxable
7 activity within the revenue development area over and above an amount
8 of state excise taxes received by the state during the 2007 base year
9 adjusted by the department for any estimated impacts from retail sales
10 and use tax sourcing changes effective July 1, 2007. The amount of
11 base year adjustment determined by the department is final.

12 (32) "State property tax allocation revenue" means those tax
13 revenues derived from the imposition of property taxes levied by the
14 state for the support of common schools under RCW 84.52.065 on the
15 property tax allocation revenue value.

16 **PART II**
17 **LOCAL INFRASTRUCTURE FINANCING TOOL**

18 NEW SECTION. **Sec. 201.** CREATION OF THE LOCAL INFRASTRUCTURE
19 FINANCING TOOL PROGRAM. The local infrastructure financing tool
20 program is created to assist local governments in financing authorized
21 public infrastructure projects designed to promote economic development
22 in the jurisdiction. The local infrastructure financing tool program
23 is not created to enable existing Washington-based businesses from
24 outside a revenue development area to relocate into a revenue
25 development area.

26 NEW SECTION. **Sec. 202.** LOCAL INFRASTRUCTURE FINANCING TOOL
27 PROGRAM APPLICATION. (1) Prior to applying to the board to use local
28 infrastructure financing, a sponsoring local government shall:

- 29 (a) Designate a revenue development area within the limitations in
30 section 204 of this act;
- 31 (b) Certify that the conditions in section 205 of this act are met;
- 32 (c) Complete the process in section 206 of this act;
- 33 (d) Provide public notice as required in section 208 of this act;
- 34 and

1 (e) Pass an ordinance adopting the revenue development area as
2 required in section 207 of this act.

3 (2) Any local government that has created an increment area under
4 chapter 39.89 RCW that has not issued bonds to finance any public
5 improvement shall be considered a revenue development area under this
6 chapter without creating a new increment area under sections 207 and
7 208 of this act if it amends its ordinance to comply with section
8 207(1) of this act and otherwise meets the conditions and limitations
9 under this chapter.

10 (3) As a condition to imposing a sales and use tax under section
11 401 of this act, a sponsoring local government, including any
12 cosponsoring local government seeking authority to impose a sales and
13 use tax under section 401 of this act, must apply to the board and be
14 approved for a project award amount. The application shall be in a
15 form and manner prescribed by the board and include but not be limited
16 to information establishing that the applicant is an eligible candidate
17 to impose the local sales and use tax under section 401 of this act,
18 the anticipated effective date for imposing the tax, the estimated
19 number of years that the tax will be imposed, and the estimated amount
20 of tax revenue to be received in each fiscal year that the tax will be
21 imposed. The board shall make available forms to be used for this
22 purpose. As part of the application, each applicant must provide to
23 the board a copy of the ordinance or ordinances creating the revenue
24 development area as required in section 207 of this act. A notice of
25 approval to use local infrastructure financing shall contain a project
26 award that represents the maximum amount of state contribution that the
27 applicant, including any cosponsoring local governments, can earn each
28 year that local infrastructure financing is used. The total of all
29 project awards shall not exceed the annual state contribution limit.
30 The determination of a project award shall be made based on information
31 contained in the application and the remaining amount of annual state
32 contribution limit to be awarded. Determination of a project award by
33 the board is final.

34 (4) Sponsoring local governments, and any cosponsoring local
35 governments, must submit completed applications to the board no later
36 than July 1, 2007. By September 15, 2007, in consultation with the
37 department of revenue and the department of community, trade, and

1 economic development, the board shall approve qualified projects, up to
2 the annual state contribution limit. Except as provided in section 203
3 of this act, approvals shall be based on the following criteria:

4 (a) The project potential to enhance the sponsoring local
5 government's regional and/or international competitiveness;

6 (b) The project's ability to encourage mixed use development and
7 the redevelopment of a geographic area;

8 (c) Achieving an overall distribution of projects statewide that
9 reflect geographic diversity;

10 (d) The estimated wages and benefits for the project is greater
11 than the average labor market area;

12 (e) The estimated state and local net employment change over the
13 life of the project;

14 (f) The estimated state and local net property tax change over the
15 life of the project; and

16 (g) The estimated state and local sales and use tax increase over
17 the life of the project.

18 (5) A revenue development area is considered created when the
19 sponsoring local government, including any cosponsoring local
20 government, has adopted an ordinance creating the revenue development
21 area and the board has approved the sponsoring local government to use
22 local infrastructure financing. If a sponsoring local government
23 receives approval from the board after the fifteenth day of October to
24 use local infrastructure financing, the revenue development area is
25 considered created in the calendar year following the approval. Once
26 the board has approved the sponsoring local government, and any
27 cosponsoring local governments, to use local infrastructure financing,
28 notification shall be sent to the sponsoring local government, and any
29 cosponsoring local governments, authorizing the sponsoring local
30 government, and any cosponsoring local governments, to impose the local
31 sales and use tax authorized under section 401 of this act, subject to
32 the conditions in section 401 of this act.

33 NEW SECTION. **Sec. 203.** In addition to a competitive process,
34 demonstration projects are provided to determine the feasibility of the
35 local infrastructure financing tool. Notwithstanding section 202 of
36 this act, the board shall approve each demonstration project before
37 approving any other application. The Bellingham waterfront

1 redevelopment project award shall not exceed one million dollars per
2 year, the Spokane river district project award shall not exceed one
3 million dollars per year, and the Vancouver riverwest project award
4 shall not exceed five hundred thousand dollars per year.

5 NEW SECTION. **Sec. 204.** LIMITATIONS ON REVENUE DEVELOPMENT AREAS.

6 The designation of a revenue development area is subject to the
7 following limitations:

8 (1) The taxable real property within the revenue development area
9 boundaries may not exceed one billion dollars in assessed value at the
10 time the revenue development area is designated;

11 (2) The average assessed value per square foot of taxable land
12 within the revenue development area boundaries may not exceed seventy
13 dollars at the time the revenue development area is designated;

14 (3) No more than one revenue development area may be created in a
15 county;

16 (4) A revenue development area is limited to contiguous tracts,
17 lots, pieces, or parcels of land without the creation of islands of
18 property not included in the revenue development area;

19 (5) The boundaries may not be drawn to purposely exclude parcels
20 where economic growth is unlikely to occur;

21 (6) The public improvements financed through local infrastructure
22 financing must be located in the revenue development area;

23 (7) A revenue development area cannot comprise an area containing
24 more than twenty-five percent of the total assessed value of the
25 taxable real property within the boundaries of the sponsoring local
26 government, including any cosponsoring local government, at the time
27 the revenue development area is designated;

28 (8) The boundaries of the revenue development area shall not be
29 changed for the time period that local infrastructure financing is
30 used; and

31 (9) A revenue development area cannot include any part of an
32 increment area created under chapter 39.89 RCW, except those increment
33 areas created prior to January 1, 2006.

34 NEW SECTION. **Sec. 205.** CONDITIONS. The use of local

35 infrastructure financing under this chapter is subject to the following
36 conditions:

1 (1) No funds may be used to finance, design, acquire, construct,
2 equip, operate, maintain, remodel, repair, or reequip public facilities
3 funded with taxes collected under RCW 82.14.048;

4 (2)(a) Except as provided in (b) of this subsection no funds may be
5 used for public improvements other than projects identified within the
6 capital facilities, utilities, housing, or transportation element of a
7 comprehensive plan required under chapter 36.70A RCW;

8 (b) Funds may be used for public improvements that are historical
9 preservation activities as defined in RCW 39.89.020;

10 (3) The public improvements proposed to be financed in whole or in
11 part using local infrastructure financing are expected to encourage
12 private development within the revenue development area and to increase
13 the fair market value of real property within the revenue development
14 area;

15 (4) A sponsoring local government, participating local government,
16 or participating taxing district has entered or expects to enter into
17 a contract with a private developer relating to the development of
18 private improvements within the revenue development area or has
19 received a letter of intent from a private developer relating to the
20 developer's plans for the development of private improvements within
21 the revenue development area;

22 (5) Private development that is anticipated to occur within the
23 revenue development area, as a result of the public improvements, will
24 be consistent with the countywide planning policy adopted by the county
25 under RCW 36.70A.210 and the local government's comprehensive plan and
26 development regulations adopted under chapter 36.70A RCW;

27 (6) The governing body of the sponsoring local government, and any
28 cosponsoring local government, must make a finding that local
29 infrastructure financing:

30 (a) Is not expected to be used for the purpose of relocating a
31 business from outside the revenue development area, but within this
32 state, into the revenue development area; and

33 (b) Will improve the viability of existing business entities within
34 the revenue development area;

35 (7) The governing body of the sponsoring local government, and any
36 cosponsoring local government, finds that the public improvements
37 proposed to be financed in whole or in part using local infrastructure
38 financing are reasonably likely to:

1 (a) Increase private residential and commercial investment within
2 the revenue development area;

3 (b) Increase employment within the revenue development area;

4 (c) Improve the viability of any existing communities that are
5 based on mixed-use development within the revenue development area; and

6 (d) Generate, over the period of time that the local option sales
7 and use tax will be imposed under section 401 of this act, state excise
8 tax allocation revenues and state property tax allocation revenues
9 derived from the revenue development area that are equal to or greater
10 than the respective state contributions made under this chapter;

11 (8) The sponsoring local government may only use local
12 infrastructure financing in areas deemed in need of economic
13 development or redevelopment within boundaries of the sponsoring local
14 government.

15 NEW SECTION. **Sec. 206.** PROCESS. Before adopting an ordinance
16 creating the revenue development area, a sponsoring local government
17 must:

18 (1) Obtain written agreement from any participating local
19 government and participating taxing district to use dedicated amounts
20 of local excise tax allocation revenues, local property tax allocation
21 revenues, and other revenues from local public sources in whole or in
22 part, for local infrastructure financing authorized under this chapter.
23 The agreement to opt into the local infrastructure financing public
24 improvement project must be authorized by the governing body of such
25 participating local government and participating taxing district;

26 (2) Estimate the impact of the revenue development area on small
27 business and low-income housing and develop a mitigation plan for the
28 impacted businesses and housing. In analyzing the impact of the
29 revenue development area, the sponsoring local government must develop:

30 (a) An inventory of existing low-income housing units, and
31 businesses and retail activity within the revenue development area;

32 (b) A reasonable estimate of the number of low-income housing
33 units, small businesses, and other commercial activity that may be
34 vulnerable to displacement within the revenue development area;

35 (c) A reasonable estimate of projected net job growth and net
36 housing growth caused by creation of the revenue development area when
37 compared to the existing jobs or housing balance for the area; and

1 (d) A reasonable estimate of the impact of net housing growth on
2 the current housing price mix.

3 NEW SECTION. **Sec. 207.** ORDINANCE. (1) To create a revenue
4 development area, a sponsoring local government, and any cosponsoring
5 local government, must adopt an ordinance establishing the revenue
6 development area that:

7 (a) Describes the public improvements proposed to be made in the
8 revenue development area;

9 (b) Describes the boundaries of the revenue development area,
10 subject to the limitations in section 204 of this act;

11 (c) Estimates the cost of the proposed public improvements and the
12 portion of these costs to be financed by local infrastructure
13 financing;

14 (d) Estimates the time during which local excise tax allocation
15 revenues, local property tax allocation revenues, and other revenues
16 from local public sources are to be used for local infrastructure
17 financing;

18 (e) Provides the date when the use of local excise tax allocation
19 revenues and local property tax allocation revenues will commence; and

20 (f) Finds that the conditions in section 205 of this act are met
21 and the findings in section 206 of this act are complete.

22 (2) The sponsoring local government, and any cosponsoring local
23 government, must hold a public hearing on the proposed financing of the
24 public improvements in whole or in part with local infrastructure
25 financing at least thirty days before passage of the ordinance
26 establishing the revenue development area. The public hearing may be
27 held by either the governing body of the sponsoring local government
28 and the governing body of any cosponsoring local government, or by a
29 committee of those governing bodies that includes at least a majority
30 of the whole governing body or bodies. The public hearing is subject
31 to the notice requirements in section 208 of this act.

32 (3) The sponsoring local government, and any cosponsoring local
33 government, shall deliver a certified copy of the adopted ordinance to
34 the county treasurer, the governing body of each participating local
35 government and participating taxing district within which the revenue
36 development area is located, the board, and the department.

1 NEW SECTION. **Sec. 208.** NOTICE REQUIREMENTS. Prior to adopting
2 the ordinance creating the revenue development area and to meet the
3 requirements of section 501(1)(b) of this act, a sponsoring local
4 government and any cosponsoring local government must provide public
5 notice.

6 (1) Notice of the public hearing must be published in a legal
7 newspaper of general circulation within the proposed revenue
8 development area at least ten days before the public hearing and posted
9 in at least six conspicuous public places located in the proposed
10 revenue development area.

11 (2) Notice must also be sent by United States mail to the property
12 owners, all identifiable community-based organizations with involvement
13 in the proposed revenue development area, and the business enterprises
14 located within the proposed revenue development area at least thirty
15 days prior to the hearing. In implementing provisions under this
16 chapter, the local governing body may also consult with community-based
17 groups, business organizations, including the local chamber of
18 commerce, and the office of minority and women's business enterprises
19 to assist with providing appropriate notice to business enterprises and
20 property owners for whom English is a second language.

21 (3) Notices must describe the contemplated public improvements,
22 estimate the public improvement costs, describe the portion of the
23 public improvement costs to be borne by local infrastructure financing,
24 describe any other sources of revenue to finance the public
25 improvements, describe the boundaries of the proposed revenue
26 development area, estimate the impact that the public improvements will
27 have on small businesses and low-income housing, and estimate the
28 period during which local infrastructure financing is contemplated to
29 be used.

30 (4) Notices must inform the public where to obtain the information
31 that shows how the limitations, conditions, and findings required in
32 sections 204 through 206 of this act are met.

33 (5) The sponsoring local government and any cosponsoring local
34 government shall deliver a certified copy of the proposed ordinance to
35 the county treasurer, the governing body of each participating local
36 government and participating taxing district within which the revenue
37 development area is located, the board, and the department.

1 **PART III**

2 **TAX ALLOCATION REVENUES**

3 **NEW SECTION. Sec. 301.** LOCAL EXCISE TAX ALLOCATION REVENUES. (1)

4 A sponsoring local government or participating local government that
5 has received approval by the board to use local infrastructure
6 financing may use annually its local excise tax allocation revenues to
7 finance public improvements in the revenue development area financed in
8 whole or in part by local infrastructure financing. The use of local
9 excise tax allocation revenues dedicated by participating local
10 governments must cease when such allocation revenues are no longer
11 necessary or obligated to pay bonds issued to finance the public
12 improvements in the revenue development area. Any participating local
13 government is authorized to dedicate local excise tax allocation
14 revenues to the sponsoring local government as authorized in section
15 206(1) of this act.

16 (2) A sponsoring local government shall provide the board accurate
17 information describing the geographical boundaries of the revenue
18 development area at the time of application. The information shall be
19 provided in an electronic format or manner as prescribed by the
20 department. The sponsoring local government shall ensure that the
21 boundary information provided to the board and department is kept
22 current.

23 (3) In the event a city annexes a county area located within a
24 county-sponsored revenue development area, the city shall remit to the
25 county the portion of the local excise tax allocation revenue that the
26 county would have received had the area not been annexed to the county.
27 The city shall remit such revenues until such time as the bonds issued
28 under section 501 of this act are retired.

29 **NEW SECTION. Sec. 302.** LOCAL PROPERTY TAX ALLOCATION REVENUES.

30 (1) Commencing in the second calendar year following the passage of the
31 ordinance creating a revenue development area and authorizing the use
32 of local infrastructure financing, the county treasurer shall
33 distribute receipts from regular taxes imposed on real property located
34 in the revenue development area as follows:

35 (a) Each participating taxing district and the sponsoring local
36 government shall receive that portion of its regular property taxes
37 produced by the rate of tax levied by or for the taxing district on the

1 property tax allocation revenue base value for that local
2 infrastructure financing project in the taxing district, or upon the
3 total assessed value of real property in the taxing district, whichever
4 is smaller; and

5 (b) The sponsoring local government shall receive an additional
6 portion of the regular property taxes levied by it and by or for each
7 participating taxing district upon the property tax allocation revenue
8 value within the revenue development area. However, if there is no
9 property tax allocation revenue value, the sponsoring local government
10 shall not receive any additional regular property taxes under this
11 subsection (1)(b). The sponsoring local government may agree to
12 receive less than the full amount of the additional portion of regular
13 property taxes under this subsection (1)(b) as long as bond debt
14 service, reserve, and other bond covenant requirements are satisfied,
15 in which case the balance of these tax receipts shall be allocated to
16 the participating taxing districts that levied regular property taxes,
17 or have regular property taxes levied for them, in the revenue
18 development area for collection that year in proportion to their
19 regular tax levy rates for collection that year. The sponsoring local
20 government may request that the treasurer transfer this additional
21 portion of the property taxes to its designated agent. The portion of
22 the tax receipts distributed to the sponsoring local government or its
23 agent under this subsection (1)(b) may only be expended to finance
24 public improvement costs associated with the public improvements
25 financed in whole or in part by local infrastructure financing.

26 (2) The county assessor shall allocate any increase in the assessed
27 value of real property occurring in the revenue development area to the
28 property tax allocation revenue value and property tax allocation
29 revenue base value as appropriate. This section does not authorize
30 revaluations of real property by the assessor for property taxation
31 that are not made in accordance with the assessor's revaluation plan
32 under chapter 84.41 RCW or under other authorized revaluation
33 procedures.

34 (3) The apportionment of increases in assessed valuation in a
35 revenue development area, and the associated distribution to the
36 sponsoring local government of receipts from regular property taxes
37 that are imposed on the property tax allocation revenue value, must
38 cease when property tax allocation revenues are no longer necessary or

1 obligated to pay the costs of the public improvements. Any excess
2 local property tax allocation revenues derived from regular property
3 taxes and earnings on these tax allocation revenues, remaining at the
4 time the allocation of tax receipts terminates, must be returned to the
5 county treasurer and distributed to the participating taxing districts
6 that imposed regular property taxes, or had regular property taxes
7 imposed for it, in the revenue development area for collection that
8 year, in proportion to the rates of their regular property tax levies
9 for collection that year.

10 (4) The allocation to the revenue development area of portions of
11 the local regular property taxes levied by or for each taxing district
12 upon the property tax allocation revenue value within that revenue
13 development area is declared to be a public purpose of and benefit to
14 each such taxing district.

15 (5) The allocation of local property tax allocation revenues
16 pursuant to this section shall not affect or be deemed to affect the
17 rate of taxes levied by or within any taxing district or the
18 consistency of any such levies with the uniformity requirement of
19 Article VII, section 1 of the state Constitution.

20 (6) This section does not apply to those revenue development areas
21 that include any part of an increment area created under chapter 39.89
22 RCW.

23 **PART IV**
24 **STATE CONTRIBUTIONS**

25 NEW SECTION. **Sec. 401.** A new section is added to chapter 82.14
26 RCW to read as follows:

27 **SALES AND USE TAX.** (1) A sponsoring local government, and any
28 cosponsoring local government, that has been approved by the board to
29 use local infrastructure financing may impose a sales and use tax in
30 accordance with the terms of this chapter and subject to the criteria
31 set forth in this section. Except as provided in this section, the tax
32 is in addition to other taxes authorized by law and shall be collected
33 from those persons who are taxable by the state under chapters 82.08
34 and 82.12 RCW upon the occurrence of any taxable event within the
35 taxing jurisdiction of the sponsoring local government or cosponsoring
36 local government. The rate of tax shall not exceed the rate provided

1 in RCW 82.08.020(1), less the aggregate rates of any other local sales
2 and use taxes imposed on the same taxable events that are credited
3 against the state sales and use taxes imposed under chapters 82.08 and
4 82.12 RCW. The rate of tax may be changed only on the first day of a
5 fiscal year as needed. Notice of rate changes must be provided to the
6 department on the first day of March to be effective on July 1st of the
7 next fiscal year.

8 (2) The tax authorized under subsection (1) of this section shall
9 be credited against the state taxes imposed under chapter 82.08 or
10 82.12 RCW. The department shall perform the collection of such taxes
11 on behalf of the sponsoring local government or cosponsoring local
12 government at no cost to the sponsoring local government or
13 cosponsoring local government and shall remit the taxes as provided in
14 RCW 82.14.060.

15 (3)(a) No tax may be imposed under this section:

16 (i) Before July 1, 2008;

17 (ii) Before approval by the board under section 202 of this act;

18 and

19 (iii) Except as provided in (b) of this subsection, unless the
20 sponsoring local government has received and dedicated to the payment
21 of bonds authorized in section 501 of this act, in whole or in part,
22 both local excise tax allocation revenues and local property tax
23 allocation revenues during the preceding calendar year.

24 (b) The requirement to receive local property tax allocation
25 revenues under (a) of this subsection is waived if the revenue
26 development area coincides with or is contained entirely within the
27 boundaries of an increment area adopted by a local government under the
28 authority of chapter 39.89 RCW for the purposes of utilizing community
29 revitalization financing.

30 (c) The tax imposed under this section shall expire when the bonds
31 issued under the authority of section 501 of this act are retired, but
32 not more than twenty-five years after the tax is first imposed.

33 (4) An ordinance adopted by the legislative authority of a
34 sponsoring local government or cosponsoring local government imposing
35 a tax under this section shall provide that:

36 (a) The tax shall first be imposed on the first day of a fiscal
37 year;

1 (b) The cumulative amount of tax received by the sponsoring local
2 government, and any cosponsoring local government, in any fiscal year
3 shall not exceed the amount of the state contribution;

4 (c) The tax shall cease to be distributed for the remainder of any
5 fiscal year in which either:

6 (i) The amount of tax received by the sponsoring local government,
7 and any cosponsoring local government, equals the amount of the state
8 contribution;

9 (ii) The amount of revenue from taxes imposed under this section by
10 all sponsoring and cosponsoring local governments equals the annual
11 state contribution limit; or

12 (iii) The amount of tax received by the sponsoring local government
13 equals the amount of project award granted in the approval notice
14 described in section 202 of this act;

15 (d) Except when the requirement to receive local property tax
16 allocation revenues is waived as provided in subsection (3)(b) of this
17 section, neither the local excise tax allocation revenues nor the local
18 property tax allocation revenues can be more than eighty percent of the
19 total local funds as described in section 102(29)(c) of this act;

20 (e) The tax shall be distributed again, should it cease to be
21 distributed for any of the reasons provided in (c) of this subsection,
22 at the beginning of the next fiscal year, subject to the restrictions
23 in this section; and

24 (f) Any revenue generated by the tax in excess of the amounts
25 specified in (c) of this subsection shall belong to the state of
26 Washington.

27 (5) If a county and city cosponsor a revenue development area, the
28 combined rates of the city and county tax shall not exceed the rate
29 provided in RCW 82.08.020(1), less the aggregate rates of any other
30 local sales and use taxes imposed on the same taxable events that are
31 credited against the state sales and use taxes imposed under chapters
32 82.08 and 82.12 RCW. The combined amount of distributions received by
33 both the city and county may not exceed the state contribution.

34 (6) The department shall determine the amount of tax receipts
35 distributed to each sponsoring local government, and any cosponsoring
36 local government, imposing sales and use tax under this section and
37 shall advise a sponsoring or cosponsoring local government when tax
38 distributions for the fiscal year equal the amount of state

1 contribution for that fiscal year as provided in subsection (8) of this
2 section. Determinations by the department of the amount of tax
3 distributions attributable to each sponsoring or cosponsoring local
4 government are final and shall not be used to challenge the validity of
5 any tax imposed under this section. The department shall remit any tax
6 receipts in excess of the amounts specified in subsection (4)(c) of
7 this section to the state treasurer who shall deposit the money in the
8 general fund.

9 (7) If a sponsoring or cosponsoring local government fails to
10 comply with section 403 of this act, no tax may be distributed in the
11 subsequent fiscal year until such time as the sponsoring or
12 cosponsoring local government complies and the department calculates
13 the state contribution amount for such fiscal year.

14 (8) Each year, the amount of taxes approved by the department for
15 distribution to a sponsoring or cosponsoring local government in the
16 next fiscal year shall be equal to the state contribution and shall be
17 no more than the total local funds as described in section 102(29)(c)
18 of this act. The department shall consider information from reports
19 described in section 403 of this act when determining the amount of
20 state contributions for each fiscal year. A sponsoring or cosponsoring
21 local government shall not receive, in any fiscal year, more revenues
22 from taxes imposed under the authority of this section than the amount
23 approved annually by the department. The department shall not approve
24 the receipt of more distributions of sales and use tax under this
25 section to a sponsoring or cosponsoring local government than is
26 authorized under subsection (4) of this section.

27 (9) The amount of tax distributions received from taxes imposed
28 under the authority of this section by all sponsoring and cosponsoring
29 local governments is limited annually to not more than five million
30 dollars. The tax distributions shall be available to the sponsoring
31 local government, and any cosponsoring local government, imposing a tax
32 under this section only as long as the sponsoring local government has
33 outstanding indebtedness under section 501 of this act.

34 (10) The definitions in section 102 of this act apply to this
35 section unless the context clearly requires otherwise.

36 (11) If a sponsoring local government is a federally recognized
37 Indian tribe, the distribution of the sales and use tax authorized

1 under this section shall be authorized through an interlocal agreement
2 pursuant to chapter 39.34 RCW.

3 NEW SECTION. **Sec. 402.** USE OF FUNDS. Money collected from the
4 taxes imposed under section 401 of this act shall be used only for the
5 purpose of principal and interest payments on bonds issued under the
6 authority of section 501 of this act.

7 NEW SECTION. **Sec. 403.** REPORTING REQUIREMENTS. (1) A sponsoring
8 local government shall provide a report to the board and the department
9 by March 1st of each year. The report shall contain the following
10 information:

11 (a) The amount of local excise tax allocation revenues, and local
12 property tax allocation revenues, taxes under section 401 of this act,
13 and revenues from local public sources received by the sponsoring local
14 government during the preceding calendar year that were dedicated to
15 pay the public improvements financed in whole or in part with local
16 infrastructure financing, and a summary of how these revenues were
17 expended;

18 (b) The names of any businesses locating within the revenue
19 development area as a result of the public improvements undertaken by
20 the sponsoring local government and financed in whole or in part with
21 local infrastructure financing;

22 (c) The total number of permanent jobs created in the revenue
23 development area as a result of the public improvements undertaken by
24 the sponsoring local government and financed in whole or in part with
25 local infrastructure financing;

26 (d) The average wages and benefits received by all employees of
27 businesses locating within the revenue development area as a result of
28 the public improvements undertaken by the sponsoring local government
29 and financed in whole or in part with local infrastructure financing;
30 and

31 (e) That the sponsoring local government is in compliance with
32 section 205 of this act.

33 (2) The board shall make a report available to the public and the
34 legislature by June 1st of each year. The report shall include a list
35 of public improvements undertaken by sponsoring local governments and
36 financed in whole or in part with local infrastructure financing and it

1 shall also include a summary of the information provided to the
2 department by sponsoring local governments under subsection (1) of this
3 section.

4 **PART V**

5 **BOND AUTHORIZATION**

6 NEW SECTION. **Sec. 501.** BOND ISSUANCE. (1) A sponsoring local
7 government that has designated a revenue development area and been
8 authorized the use of local infrastructure financing may incur general
9 indebtedness, and issue general obligation bonds, to finance the public
10 improvements and retire the indebtedness in whole or in part from tax
11 allocation revenues it receives, subject to the following requirements:

12 (a) The ordinance adopted by the sponsoring local government and
13 authorizing the use of local infrastructure financing indicates an
14 intent to incur this indebtedness and the maximum amount of this
15 indebtedness that is contemplated; and

16 (b) The sponsoring local government includes this statement of the
17 intent in all notices required by section 207 of this act.

18 (2)(a) Except as provided in (b) of this subsection, the general
19 indebtedness incurred under subsection (1) of this section may be
20 payable from other tax revenues, the full faith and credit of the local
21 government, and nontax income, revenues, fees, and rents from the
22 public improvements, as well as contributions, grants, and nontax money
23 available to the local government for payment of costs of the public
24 improvements or associated debt service on the general indebtedness.

25 (b) A sponsoring local government that issues bonds under this
26 section shall not pledge any money received from the state of
27 Washington for the payment of such bonds, other than the local sales
28 and use taxes imposed under the authority of section 401 of this act
29 and collected by the department.

30 (3) In addition to the requirements in subsection (1) of this
31 section, a sponsoring local government designating a revenue
32 development area and authorizing the use of local infrastructure
33 financing may require the nonpublic participant to provide adequate
34 security to protect the public investment in the public improvement
35 within the revenue development area.

1 (4) Bonds issued under this section shall be authorized by
2 ordinance of the governing body of the sponsoring local government and
3 may be issued in one or more series and shall bear such date or dates,
4 be payable upon demand or mature at such time or times, bear interest
5 at such rate or rates, be in such denomination or denominations, be in
6 such form either coupon or registered as provided in RCW 39.46.030,
7 carry such conversion or registration privileges, have such rank or
8 priority, be executed in such manner, be payable in such medium of
9 payment, at such place or places, and be subject to such terms of
10 redemption with or without premium, be secured in such manner, and have
11 such other characteristics, as may be provided by such ordinance or
12 trust indenture or mortgage issued pursuant thereto.

13 (5) The sponsoring local government may annually pay into a fund to
14 be established for the benefit of bonds issued under this section a
15 fixed proportion or a fixed amount of any local excise tax allocation
16 revenues and local property tax allocation revenues derived from
17 property or business activity within the revenue development area
18 containing the public improvements funded by the bonds, such payment to
19 continue until all bonds payable from the fund are paid in full. The
20 local government may also annually pay into the fund established in
21 this section a fixed proportion or a fixed amount of any revenues
22 derived from taxes imposed under section 401 of this act, such payment
23 to continue until all bonds payable from the fund are paid in full.
24 Revenues derived from taxes imposed under section 401 of this act are
25 subject to the use restriction in section 402 of this act.

26 (6) In case any of the public officials of the sponsoring local
27 government whose signatures appear on any bonds or any coupons issued
28 under this chapter shall cease to be such officials before the delivery
29 of such bonds, such signatures shall, nevertheless, be valid and
30 sufficient for all purposes, the same as if such officials had remained
31 in office until such delivery. Any provision of any law to the
32 contrary notwithstanding, any bonds issued under this chapter are fully
33 negotiable.

34 (7) Notwithstanding subsections (4) through (6) of this section,
35 bonds issued under this section may be issued and sold in accordance
36 with chapter 39.46 RCW.

1 NEW SECTION. **Sec. 502.** USE OF TAX REVENUE FOR BOND REPAYMENT. A
2 sponsoring local government that issues bonds under section 501 of this
3 act to finance public improvements may pledge for the payment of such
4 bonds all or part of any local excise tax allocation revenues and all
5 or part of any local property tax allocation revenues dedicated by the
6 sponsoring local government, any participating local government, or
7 participating taxing district. The sponsoring local government may
8 also pledge all or part of any revenues derived from taxes imposed
9 under section 401 of this act and held in connection with the public
10 improvements. All of such tax revenues are subject to the use
11 restrictions in sections 202 through 205 of this act, and the process
12 requirements in section 206(1) of this act.

13 NEW SECTION. **Sec. 503.** BONDS ISSUED NOT AN OBLIGATION OF THE
14 STATE OF WASHINGTON. The bonds issued by a sponsoring local government
15 under section 501 of this act to finance public improvements shall not
16 constitute an obligation of the state of Washington, either general or
17 special.

18 NEW SECTION. **Sec. 504.** GENERAL INDEBTEDNESS--SECURITY. (1) A
19 sponsoring local government designating a revenue development area and
20 authorizing the use of local infrastructure financing may incur general
21 indebtedness, and issue general obligation bonds, to finance the public
22 improvements and retire the indebtedness in whole or in part from local
23 excise tax allocation revenues and local property tax allocation
24 revenues it receives, subject to the following requirements:

25 (a) The ordinance adopted by the sponsoring local government
26 creating the revenue development area and authorizing the use of local
27 infrastructure financing indicates an intent to incur this indebtedness
28 and the maximum amount of this indebtedness that is contemplated; and

29 (b) The sponsoring local government includes this statement of the
30 intent in all notices required by sections 205 and 206 of this act.

31 (2) The general indebtedness incurred under subsection (1) of this
32 section may be payable from other tax revenues, the full faith and
33 credit of the sponsoring local government, and nontax income, revenues,
34 fees, and rents from the public improvements, as well as contributions,
35 grants, and nontax money available to the sponsoring local government

1 for payment of costs of the public improvements or associated debt
2 service on the general indebtedness.

3 (3) In addition to the requirements in subsection (1) of this
4 section, a sponsoring local government designating a revenue
5 development area and authorizing the use of local infrastructure
6 financing may require the nonpublic participant to provide adequate
7 security to protect the public investment in the public improvement
8 within the revenue development area.

9 NEW SECTION. **Sec. 505.** REVENUE BONDS. (1) A sponsoring local
10 government may issue revenue bonds to fund revenue-generating public
11 improvements, or portions of public improvements, that are located
12 within a revenue development area. Whenever revenue bonds are to be
13 issued, the legislative authority of the sponsoring local government
14 shall create or have created a special fund or funds from which, along
15 with any reserves created pursuant to RCW 39.44.140, the principal and
16 interest on these revenue bonds shall exclusively be payable. The
17 legislative authority of the sponsoring local government may obligate
18 the sponsoring local government to set aside and pay into the special
19 fund or funds a fixed proportion or a fixed amount of the revenues from
20 the public improvements that are funded by the revenue bonds. This
21 amount or proportion is a lien and charge against these revenues,
22 subject only to operating and maintenance expenses. The sponsoring
23 local government shall have due regard for the cost of operation and
24 maintenance of the public improvements that are funded by the revenue
25 bonds, and shall not set aside into the special fund or funds a greater
26 amount or proportion of the revenues that in its judgment will be
27 available over and above the cost of maintenance and operation and the
28 amount or proportion, if any, of the revenue previously pledged. The
29 sponsoring local government may also provide that revenue bonds payable
30 out of the same source or sources of revenue may later be issued on a
31 parity with any revenue bonds being issued and sold.

32 (2) Revenue bonds issued pursuant to this section are not an
33 indebtedness of the sponsoring local government issuing the bonds, and
34 the interest and principal on the bonds shall only be payable from the
35 revenues lawfully pledged to meet the principal and interest
36 requirements and any reserves created pursuant to RCW 39.44.140. The
37 owner or bearer of a revenue bond or any interest coupon issued

1 pursuant to this section shall not have any claim against the
2 sponsoring local government arising from the bond or coupon except for
3 payment from the revenues lawfully pledged to meet the principal and
4 interest requirements and any reserves created pursuant to RCW
5 39.44.140. The substance of the limitations included in this
6 subsection shall be plainly printed, written, or engraved on each bond
7 issued pursuant to this section.

8 (3) Revenue bonds with a maturity in excess of twenty-five years
9 shall not be issued. The legislative authority of the sponsoring local
10 government shall by resolution determine for each revenue bond issue
11 the amount, date, form, terms, conditions, denominations, maximum fixed
12 or variable interest rate or rates, maturity or maturities, redemption
13 rights, registration privileges, manner of execution, manner of sale,
14 callable provisions, if any, and covenants including the refunding of
15 existing revenue bonds. Facsimile signatures may be used on the bonds
16 and any coupons. Refunding revenue bonds may be issued in the same
17 manner as revenue bonds are issued.

18 (4) Notwithstanding subsections (1) through (3) of this section,
19 bonds issued under this section may be issued and sold in accordance
20 with chapter 39.46 RCW.

21 **PART VI**

22 **JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE REPORTS**

23 NEW SECTION. **Sec. 601.** JOINT LEGISLATIVE AUDIT AND REVIEW
24 COMMITTEE REPORTS. Beginning September 1, 2013, and continuing every
25 five years thereafter, the joint legislative audit and review committee
26 shall submit a report to the appropriate committees of the legislature.

27 (1) The report shall, at a minimum, evaluate the effectiveness of
28 the local infrastructure financing tool program, including a
29 project-by-project review. The report shall evaluate the project's
30 interim results based on the selection criteria. The report shall also
31 measure:

- 32 (a) Employment changes in the revenue development area;
- 33 (b) Property tax changes in the revenue development area;
- 34 (c) Sales and use tax changes in the revenue development area;
- 35 (d) Property value changes in the revenue development area; and

1 (e) Changes in housing and existing commercial activities based on
2 the impact analysis and mitigation plan required in section 206(2) of
3 this act.

4 (2) The report that is due September 1, 2028, should also include
5 any recommendations regarding whether or not the program should be
6 expanded statewide and what impact the expansion would have on economic
7 development in Washington.

8 **PART VII**
9 **MISCELLANEOUS**

10 NEW SECTION. **Sec. 701.** PERIODIC EVALUATION. The department of
11 revenue and the community economic revitalization board shall evaluate
12 and periodically report on the implementation of the local
13 infrastructure financing program to the governor and legislature as the
14 department and the board deems appropriate and recommend such
15 amendments, changes in, and modifications of this act as seem proper.

16 ***NEW SECTION.** **Sec. 702. GOVERNANCE AND SELECTION CRITERIA STUDY.**
17 *The office of financial management shall contract with the appropriate*
18 *vendor to study and report on similar programs in other states. The*
19 *report shall include an overview of the programs in other states,*
20 *including project selection criteria and program governance. The*
21 *report shall include recommendations regarding project selection and*
22 *governance that address Washington's unique needs. The report shall*
23 *also include recommendations for reporting information on future*
24 *projects. The report is due to the governor and the legislature by*
25 *December 1, 2006.*

**Sec. 702 was vetoed. See message at end of chapter.*

26 NEW SECTION. **Sec. 703.** CAPTIONS. Captions and part headings used
27 in this act are not any part of the law.

28 NEW SECTION. **Sec. 704.** SEVERABILITY. If any provision of this
29 act or its application to any person or circumstance is held invalid,
30 the remainder of the act or the application of the provision to other
31 persons or circumstances is not affected.

1 NEW SECTION. **Sec. 705.** PORT DISTRICTS. Nothing in this act shall
2 be construed to give port districts the authority to impose a sales or
3 use tax under chapter 82.14 RCW.

4 NEW SECTION. **Sec. 706.** EFFECTIVE DATE. This act takes effect
5 July 1, 2006.

6 NEW SECTION. **Sec. 707.** EXPIRATION DATE. This act expires June
7 30, 2039.

8 NEW SECTION. **Sec. 708.** NEW CHAPTER. Sections 101 through 302 and
9 402 through 601 of this act constitute a new chapter in Title 39 RCW.
 Passed by the House March 8, 2006.
 Passed by the Senate March 7, 2006.
 Approved by the Governor March 23, 2006, with the exception of
 certain items that were vetoed.
 Filed in Office of Secretary of State March 23, 2006.

 Note: Governor's explanation of partial veto is as follows:

 "I am returning, without my approval as to Section 702, Engrossed
 Second Substitute House Bill No. 2673 entitled:

 "AN ACT Relating to creating the local infrastructure financing
 tool demonstration program."

 The Office of Financial Management (OFM) is required in Section 702
 to conduct a study of governance and selection criteria for the Local
 Infrastructure Financing Tool (LIFT) program. Section 702 reflects
 discussions that were underway before the Legislature passed the
 final version of the bill. In earlier discussions, before the
 Community Economic Revitalization Board (CERB) was identified as the
 lead agency, legislators considered having a study of governance
 issues underway while the projects in the LIFT program's project list
 were being developed. In the final version of the bill, however,
 governance and project selection criteria are identified, making the
 OFM study moot. In addition, the budget does not provide funding for
 the OFM study and OFM is not the lead agency on the LIFT program.

 For these reasons, I have vetoed Section 702 of Engrossed Second
 Substitute House Bill No. 2673.

 With the exception of Section 702, Engrossed Second Substitute House
 Bill No. 2673 is approved."